

THE TORONTO STOCK EXCHANGE

19/7/73
2/8/73

FILING STATEMENT 1879.
FILED, AUGUST 15, 1973.

HOUSTON OILS LIMITED ("Houston") or (the "Company")

Formed by Certificate of Amalgamation issued by The Registrar of Companies of Alberta dated February 4, 1971, as a result of the amalgamation of Ensign Oils Limited and Houston Oils Limited under Section 140(a) of The Alberta Companies Act.

Particulars of incorporation (e.g., Incorporated under Part IV of the Corporations Act, 1953 (Ontario) by Letters Patent dated May 1st, 1957).

Reference is made to previous Filing Statement No. 1835.

FILING STATEMENT

(To be filed with respect to any material change in a company's affairs, including among other things, an underwriting and option agreement, an issue of shares for property and a proposed re-organization.)

1. Brief statement of the material change in the affairs of the company in respect of which this statement is filed.

(a) Houston has issued to Neil A. McConnell New York, New York, U.S.A. its Subordinated Convertible Note, dated June 13, 1973, in the principal amount of \$5,000,000.00 (Can.) The Note matures May 31, 1988, bears interest at the rate of 1.50% above New York City prime rate charged on 90 - day unsecured commercial loans, payable quarterly and is convertible into 1,176,471 Houston shares at a price of \$4.25 per share.

(b) Houston has authorized the issuance of 708,038 shares to Bradley C. Drowne, Dan W. Lufkin and Louis Marx, Jr. at \$3.00 per share in exchange for the transfer to Houston of interests held by them in oil and gas properties (See items 11 and 12, below).

2. Head office address and any other office address.

950 Three Calgary Place, 355 - 4th Avenue S.W.
Calgary, Alberta T2P 0J1.

3. Names, addresses and chief occupations for the past five years of present or proposed officers and directors.

See Schedule "A" on page 3.

4. Share capitalization showing authorized and issued and outstanding capital.

(a) Authorized shares without nominal or par value: 20,000,000
(b) Issued and outstanding: 6,959,236
(c) Subsequent to proposed transactions: 7,692,264

5. Particulars in respect of any bonds, debentures, notes, mortgages, charges, liens or hypothecations outstanding.

As at June 15, 1973, Houston was subject to an aggregate amount of \$6,057,922.37 in long term debt in accordance with the following schedule:

| | |
|---|----------------|
| Development Loans on Gas Reserves | \$ 233,214.12 |
| Prepayments against Future Gas Deliveries | \$ 824,708.25 |
| Subordinated Convertible Note due 1988. | \$5,000,000.00 |
| Total: | \$6,057,922.37 |

Note A: The Development Loan and prepayments on gas reserves are repayable out of future gas deliveries.

Note B: On June 13, 1973, the Company issued its Subordinated Convertible Note in the principal amount of \$5,000,000 due May 31, 1988 to Neil A. McConnell of New York City.

| | |
|---|--|
| <p>6. Details of any treasury shares or other securities now the subject of any underwriting, sale or option agreement or of any proposed underwriting, sale or option agreement.</p> | <p>The Subordinate Convertible Note referred to in item 1, above, has been issued pursuant to a Purchase Agreement between Houston and Neil A. McConnell dated May 17, 1973. The Note matures May 31, 1988 bears interest at the rate of 1.50% above New York City prime rate charged on 90 - day unsecured commercial loans, payable quarterly and is convertible into 1,176,471 Houston shares at a price of \$4.25 per share. The said Note has been issued by Houston pursuant to a ruling of the Alberta Securities Commission under Section 59 of the Alberta Securities Act and on the basis of representations and warranties made by the said Neil A. McConnell to the Company that the said Note and any shares received on conversion thereof will be acquired for investment purposes only and not with a view to resale or distribution thereof.</p> <p>Also, see Schedule "B" on page 4.</p> |
| <p>7. Names and addresses of persons having any interest, direct or indirect in underwritten or optioned shares or other securities or assignments, present or proposed, and, if any assignment is contemplated, particulars thereof.</p> | <p>None, other than those persons set out in Item 6 above.</p> |
| <p>8. Any payments in cash or securities of the company made or to be made to a promoter or finder in connection with a proposed underwriting or property acquisition.</p> | <p>None.</p> |
| <p>9. Brief statement of company's future development plans, including proposed expenditure of proceeds of sale of treasury shares, if any.</p> | <p>Schedule "C" outlines the Company's drilling plans for the next twelve months. The additional new funds will also be used to generate new drilling projects and to acquire proven oil and gas reserves and/or companies owning oil and gas reserves.</p> <p>See Schedule "C" on page 5.</p> |
| <p>10. Brief statement of company's chief development work during past year.</p> | <p>During the last year (June 30 to June 30), the Company drilled or participated in the drilling of 191 exploratory and development tests. During the period the Company significantly increased its gas reserves through development drilling and new discoveries. The Company spent approximately \$2,212,000 on drilling operations and property (leases) acquisitions during this period.</p> <p>Also, see Schedule "D" on page 6.</p> |

SCHEDULE "A"

Directors

Albert Edward Whitehead, Calgary, Alberta,
President of Houston, Calgary.

James Arthur Millard, Calgary, Alberta, Partner,
MacKimmie Matthews, Barristers and Solicitors.

William Andrew Clarke, Oakville, Ontario,
President and Director of Gairdner, Toronto, Ontario.

John Arthur Downing, Calgary, Alberta, President
of Taurus Oil Limited, Calgary.

Neil Anderson McConnell, New York, New York,
General Managing Partner, McConnell & Co.

Montague Horace Hackett, Jr., New York, New York,
Executive Vice-President of Houston.

Mr. Clarke was, prior to May, 1973 Vice-
President of Gairdner.

Mr. Hackett was, prior to July, 1972, a Partner
in the New York law firm of Kirlin, Campbell &
Keating;

Mr. Downing was, prior to January, 1971, President
of Ensign Oils Limited;

Mr. McConnell was, prior to June, 1972, General
Partner of McConnell, Melhado, a member firm of
the New York Stock Exchange.

Officers

Neil A. McConnell, Chairman of the Executive
Committee, New York, New York.

Albert E. Whitehead, President, Calgary, Alberta.

Montague H. Hackett, Jr., Executive Vice-President,
New York, New York.

Harvey S. Robinson, Vice-President, Calgary, Alberta.

Darrell R. Long, Vice-President, Exploration,
Calgary, Alberta.

Thomas M.M. Bender, Treasurer, Calgary, Alberta.

James A. Millard, Secretary, Calgary, Alberta.

P. Wayne Wells, Assistant Secretary, Calgary, Alberta.

Prior to joining Houston on May 1, 1973, Mr. Robinson
was employed as Vice-President and a Director with
Pubco Canadian Petroleum Corporation and prior thereto,
was employed by Canadian Superior Oil Ltd.

Prior to joining Houston in May, 1969, Mr. Long was
employed as a geologist with Bow Valley Exploration
Ltd. and prior to that was with Whitehall Canadian
Oils Ltd. and with Dome Petroleum Ltd.

Prior to joining Houston in May, 1969, Mr. Bender
was employed as an accountant with Whitehall
Canadian Oils Ltd. and prior to that with Hudsons
Bay Oil & Gas Co. Ltd.

Prior to joining Houston in March, 1970, Mr. Wells
was employed as an Executive-Assistant to the Minister
of Education, Province of Saskatchewan.

SCHEDULE "B"

There are no options outstanding or intended to be outstanding with respect to any securities of Houston other than:

- (i) An option on 66,667 shares to Gairdner & Company Limited ("Gairdner") pursuant to the terms of an Underwriting Agreement between Gairdner and Ensign dated August 19, 1968.
- (ii) 130,000 shares of Houston have been reserved for issuance under a stock option plan for its key employees. The stock option plan provides that options are to be granted, exercisable at the market price of the shares at the time the option is granted, for a period of 5 years provided the employee remains an employee of Houston. See attached schedule for options granted.
- (iii) 1,176,471 shares have been reserved for issuance upon conversion of the Company's Convertible Subordinated Note, above referred to. The Note is convertible into common shares at a price of \$4.25 per share.
- (iv) Directors of the Company have approved the making of a loan in the amount of \$75,000.00 to Harvey S. Robinson, a Vice-President, for the purpose of enabling Mr. Robinson to purchase 25,000 shares at a price of \$3.00 per share. This transaction has not been completed at the date of this Filing Statement.
- (v) The Company has agreed to issue a total of 708,038 shares at an approximate price of \$3.00 per share to Bradley C. Drowne (as to 374,689 shares) Dan W. Lufkin (as to 117,917 shares) and Louis Marx, Jr. (as to 215,432 shares) as consideration for the acquisition by the Company of certain oil and gas interests, subject to final title approval and execution and delivery of documents.

EMPLOYEE STOCK OPTIONS PRESENTLY IN FORCE

| <u>Employee</u> | <u>Optioned Shares</u> | <u>Option Price Per Share</u> |
|---|----------------------------|-----------------------------------|
| Darrell R. Long 4607 - 88th Avenue N.E. Calgary, Alberta. | 5,000 | \$2.115 |
| Joseph M. Stafinski 20 Varston Place N.W. Calgary, Alberta T3A 0B7. | 10,000 5,000 | \$2.115 \$3.06 |
| Muriel L. Marshall 1611 - 21st Street N.W. Calgary, Alberta T2N 2M3. | 1,000 | \$1.40 |
| P. Wayne Wells #2204, 505 - 6 Street S.W. Calgary, Alberta T2P 1X5. | 5,000 5,000 | \$2.115 \$3.06 |
| Thomas M.M. Bender 4719 Nordegg Crescent N.W. Calgary, Alberta T2K 2M2. | 2,000 | \$2.115 |
| Robert E. Fleming #108, 3130 - 66 Avenue S.W. Calgary, Alberta T3E 5K8 | 5,000 | \$2.28 |
| Pat M. Matsuoka 1918 - 26A Street S.W. Calgary, Alberta T3E 2B8. | 2,000 | \$2.28 |
| T. Brian Wyatt 103, 903 - 19 Street S.W. Calgary, Alberta T2T 0H8. | 1,000 | \$2.57 |
| Mohammed Sabir 5132 Veronica Road N.W. Calgary, Alberta. | 2,000 | \$3.285 |
| A.E. Whitehead 1608 - 96th Avenue S.W. Calgary, Alberta. | 80,000 | \$2.45 |
| TOTAL: | 123,000 | |

Mr. Stafinski has exercised his option as to 3,300 shares and Mrs. Marshall has exercised her option as to 333 shares.

SCHEDULE "C"

SUMMARY OF EXPLORATION PLANS
FOR THE NEXT TWELVE MONTHS

Filing Statement

| PROSPECT NAME & LOCATION | NUMBER OF TESTS PLANNED | ESTIMATED COST TO COMPANY | EXPLORATION | DEVELOPMENT |
|--|----------------------------|------------------------------|-------------|-------------|
| CANADA | | | | |
| Wood River, Alberta | 1 | \$ 70,000 | | X |
| Wandering River, Alberta | 15 | \$180,000 | X | X |
| Milo, Alberta | 1 | \$ 20,000 | | X |
| Countess, Alberta | 4 | \$ 70,000 | X | |
| * Haddock, Alberta | 1 | --- | | |
| Ukalta, Alberta | 7 | \$120,000 (1) | X | |
| * Carbon, Alberta | 1 | --- | | |
| Miscellaneous, Canada (Geophysical - Drilling) | 15 | \$500,000 | X | X |
| U.S. | | | | |
| South Louisiana, Louisiana | 5 | \$110,000 | X | |
| Harlem, Texas | 1 | \$250,000 | X | |
| Pine Valley, Utah (Geophysical) | 2 | \$300,000 (1) | X | |
| Beaver County, Oklahoma | 20 | \$1,700,000 (1) | X | X |
| * Western Oklahoma, Oklahoma | 20 | --- | | |
| North Park, Colorado | 1 | \$ 30,000 | X | |
| * Antelope Coulee, Montana | 1 | --- | | |
| Sherard, Montana | 20 | \$ 25,000 | X | X |
| Miscellaneous, U.S. (Geophysical - Drilling) | 10 | \$250,000 | X | X |
| FOREIGN | | | | |
| Malacca Strait, Indonesia (Geophysical & Drilling) | 8 | \$200,000 | X | |
| ** Arabian Gulf, Abu Dhabi | 1 | --- | | |
| Dutch North Sea, Netherlands (Geophysical) | - | \$ 15,000 | X | |
| North Sea, Norway (Geophysical) | - | \$ 10,000 | X | |
| Ethiopia (Geophysical) | - | \$ 62,500 | X | |
| Miscellaneous (Geophysical) | - | \$ 50,000 | X | |
| Total: | | \$3,962,500 | | |

* Drilling with outside drilling funds.

** Carried to commercial production.

(1) May bring in partners on this project which would reduce costs.

SCHEDULE "D"

HOUSTON OILS LIMITEDSUMMARY OF DRILLING WELLS(June 30/72 - June 30/73)

| | <u>OIL</u> | <u>GAS</u> | <u>ABANDON</u> | <u>TOTAL</u> |
|-------------------------|------------|------------|----------------|--------------|
| <u>CANADA:</u> | | | | |
| <u>Ontario</u> | | 1 | 7 | 8 |
| <u>Saskatchewan</u> | | | | |
| Souris Flats | | | 1 | 1 |
| Viewfield | | | 1 | 1 |
| <u>Alberta</u> | | | | |
| Calling Lake | | 15 | 4 | 19 |
| Chip Lake | | | 1 | 1 |
| Countess | | | 2 | 2 |
| Dalemead | | | 1 | 1 |
| Drumheller | | | 1 | 1 |
| Edson | | | 1 | 1 |
| Figure Lake | | | 1 | 1 |
| Hairy Hill | | 1 | | 1 |
| Hardisty | | 1 | 1 | 2 |
| Holden | | 1 | 1 | 2 |
| Jarrow | | | 1 | 1 |
| Metiskow | | | 2 | 2 |
| Milo | | 1 | 2 | 3 |
| Pembina | 1 | | | 1 |
| Redwater | 1 | | | 1 |
| Roche Lake | 1 | | 2 | 3 |
| Snipe Lake | | | 2 | 2 |
| Springburn | 1 | | | 1 |
| Trochu | | | 3 | 3 |
| Ukalta | | 2 | | 2 |
| Verger | | 1 | | 1 |
| Willingdon | | 1 | | 1 |
| Wintering Hills | | | 1 | 1 |
| Wood River | | | 2 | 2 |
| <u>British Columbia</u> | | | | |
| Buick Creek | | 3 | 1 | 4 |
| Cecil Lake | | | 1 | 1 |
| <u>UNITED STATES</u> | | | | |
| <u>Colorado</u> | | 1 | 10 | 11 |
| <u>Louisiana</u> | | | 2 | 2 |
| <u>Montana</u> | | | | |
| Sherard | | 7 | 13 | 20 |
| Tiger Ridge | | 27 | 22 | 49 |
| Others | | 2 | 16 | 18 |
| <u>North Dakota</u> | | | 1 | 1 |
| <u>Oklahoma</u> | 2 | 6 | 7 | 15 |
| <u>Texas</u> | | | 2 | 2 |
| <u>Utah</u> | | | 1 | 1 |
| <u>Wyoming</u> | 1 | | 1 | 2 |
| <u>TOTAL WELLS:</u> | <u>7</u> | <u>70</u> | <u>114</u> | <u>191</u> |

SCHEDULE "E"

INVESTMENTS IN OTHER COMPANIES

| <u>Name</u> | <u>No. of Shares</u> | <u>Book Value</u> | <u>Market Value</u> |
|--|--------------------------|-----------------------|-------------------------|
| Acroll Oil & Gas Ltd. | 917 | \$ 229 | \$ 422 |
| Pan Ocean Oil Corporation | 90,079 | \$1,370,019 | \$1,125,988 |
| Pan Ocean Oil Corporation (lettered stock) | 2,942 | \$ 7,105 | - |
| Pacific Silver Mines & Oils Ltd. | 50,000 | \$ 7,000 | \$ 2,750 |
| Colonial Oil & Gas Ltd. | 29,167 | \$ 35,000 | \$21,875 |
| Magnorth Petroleum Ltd. | 10,767 | \$ 1,076 | (No market value). |
| Voyager Petroleums Ltd. | 15,000 | \$ 94,493 | \$85,500 |
| Jagor Resources Ltd. | 106,000 | \$ 77,030 | \$27,560 |
| Alberta Gas Trunkline Co. Ltd. (Class "A") | 248 | \$ 666 | \$ 3,286 |
| Commercial Oil & Gas Ltd | 50) | \$ 267 | 80 |
| |) | | |
| |) | | |
| Lido Mines Ltd. | 500) | | |

FINANCIAL STATEMENTS

HOUSTON OILS LIMITED
And Subsidiary Companies

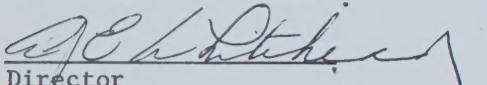
March 31

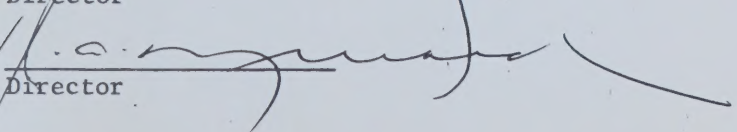
CONSOLIDATED BALANCE SHEET

| | <u>ASSETS</u> | <u>1973</u> | <u>1972</u> * |
|--|----------------------------|---------------------|--------------------|
| Cash | | \$ 2,343,808 | \$ 74,522 |
| Accounts receivable | | 1,020,464 | 899,408 |
| Investment in common stocks, at cost | | 1,507,938 | 51,105 |
| Prepaid expenses | | | 1,498 |
| Notes receivable | | 25,000 | 25,000 |
| Drilling and exploration deposits | | 90,582 | 71,966 |
| Investment and advances to subsidiary and affiliate companies unconsolidated | | 454,718 | 55,687 |
| Property and equipment at cost - less accumulated depreciation and depletion | | 7,878,235 | 5,147,715 |
| Other assets, at cost | | 57,856 | 2,629 |
| | | <u>\$13,378,601</u> | <u>\$6,329,530</u> |
| | <u>LIABILITIES</u> | | |
| Accounts payable and current charges | | \$ 605,982 | \$ 510,785 |
| Prepayment of future gas deliveries | | 824,708 | 589,920 |
| Long term debt | | 233,214 | 629,542 |
| | <u>SHAREHOLDERS EQUITY</u> | | |
| Capital stock | | | |
| Authorized | | | |
| 20,000,000 common shares of no par value | | | |
| Issued | | | |
| 6,959,236 | \$10,701,631 | | |
| Retained Earnings (Deficit) | 1,013,066 | 11,714,697 | 4,599,283 |
| | | <u>\$13,378,601</u> | <u>\$6,329,530</u> |

* 1972 Figures have been restated to the full cost method of accounting.

On behalf of the Board


Director


Director

HOUSTON OILS LIMITED

and subsidiaries

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

| | March 31 1973 | 1972* |
|--|------------------|------------|
| PRODUCTION REVENUE | | |
| Oil and gas production less royalties | \$ 398,330 | \$ 218,151 |
| Mineral production | 31,183 | 40,817 |
| Royalty income | 10,295 | 1,052 |
| EXPENSES | | |
| Operating | 120,798 | 128,571 |
| General and administration | 232,173 | 103,631 |
| Operating income | 86,837 | 27,818 |
| Interest income | 80,788 | 2,353 |
| Administration revenue | 272,326 | 17,039 |
| Net cash from operations before undernoted items | 439,951 | 47,210 |
| Depreciation and Depletion | 71,709 | 56,839 |
| Net income | 368,242 | (9,629) |
| RETAINED EARNINGS | | |
| Balance at beginning of period | 644,823 | 641,231 |
| Balance at end of period | 1,013,065 | 634,302 |

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS*

| | | |
|--|-----------|---------|
| SOURCE OF FUNDS | | |
| From operations | 439,951 | 186,895 |
| Drilling bond refund | 7,310 | |
| Gas prepayments - net | 57,191 | 107,955 |
| Capital stock | 916,840 | |
| Sale of P & NG leases - net | | 666,844 |
| | 1,421,292 | 961,694 |
| USES OF FUNDS | | |
| Loans & advances to subsidiaries | 43,940 | 81,628 |
| Plant property & equipment | 1,393,665 | 379,406 |
| Other | 330,604 | |
| Bank loan payments | | 197,000 |
| Development Loan Repayment | | 51,107 |
| | 1,768,209 | 709,141 |
| Increase (Decrease) in working capital | (346,917) | 252,553 |

*Restated on the full cost method of accounting

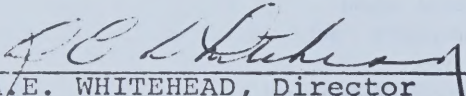
HOUSTON OILS LIMITED


DIRECTORS' CERTIFICATE

TO: THE TORONTO STOCK EXCHANGE

THE UNDERSIGNED, being Directors of Houston Oils Limited (the "Company") DO HEREBY CERTIFY THAT there has been no material change in the financial conditions of the Company since the date of the Company's interim balance sheet dated as of March 31, 1973, filed with the Company's Filing Statement dated June 29, 1973 other than to reflect the issuance of the Company's Subordinated Convertible Note in the principal amount of \$5,000,000 to NEIL A. McCONNELL and the receipt of the consideration for such note, effected June 13, 1973 and reflected in the aforesaid Filing Statement.

DATED at Calgary, Alberta, August 10, 1973.


A.E. WHITEHEAD, Director


J.A. MILLARD, Director

ENGINEER'S REPORTS

JAMES A. LEWIS ENGINEERING CO. LTD.

Petroleum Reservoir Analysts

736 EIGHTH AVENUE S.W.

CALGARY, ALBERTA T2P 1H4

May 14, 1973

File: 1083

Houston Oils Limited
950 Three Calgary Place
355 Fourth Avenue S.W.
Calgary, Alberta

SUBJECT: Springburn Area, Alberta
Bradley C. Drowne Interest

Gentlemen:

In accordance with your authorization, we have appraised the hydrocarbon reserves in Section 11, Twp. 81, Rge. 16 W.5M and the immediate surrounding sections, owned by Bradley C. Drowne. The effective date of this appraisal is May 1, 1973. Table 1 presents a summary of proved and probable oil and gas reserves while Table 2 outlines reservoir parameters utilized in reserve calculations. Tables 3 through 6 present economic analyses of proved and probable cash flows. Table 7 shows the working interest and royalties used in this study. The cash flow forecasts are summarized as follows:

| | NET CASH FLOW | |
|-----------------------|---------------|-----------------------------|
| | <u>Proved</u> | <u>Proved Plus Probable</u> |
| RESERVES | | |
| Natural Gas, Mscf (1) | 148,782 | 282,946 |
| Oil, Barrels | 42,194 | 148,444 |
| CASH FLOW (2) | | |
| Undiscounted | \$105,696 | \$297,948 |
| Discounted @ 8%/Annum | 61,302 | 156,574 |
| @ 10% / " | 55,383 | 139,068 |

NOTES: (1) Gas volume measured at 14.65 Psia and 60°F
(2) Canadian Dollars

Net reserves as used herein mean those reserves owned by Bradley C. Drowne before deduction of royalty and repayment of advance payments. The net cash flow forecast is after deduction of royalty, repayment of advance payments, operating expenses and future capital expenditures, but before deduction of income taxes.

The oil and gas reserves in Springburn have been estimated through a detailed review of geological, log and test data on the 3-11-81-16 W. 5M well. Reservoir parameters assigned by the Energy Resources Conservation Board were considered in the oil assignment to the Springburn Devonian formation.

It has been estimated that oil and gas can be marketed in mid 1973; however, the probable gas reserves were considered to be marketable in October, 1973. An initial oil rate of 100 barrels of oil per day was used prior to decline on the proved reserves in well 3-11. The four probable oil wells were assigned an initial production rate of 80 barrels of oil per day each. The gas wells were produced constantly at a rate of one million cubic feet per day for each 7.3 billion cubic feet of reserves. This ratio equalled 272 Mcf per day for each proved and probable well. The gas was assigned an initial value of \$0.27 per Mcf escalating annually by \$0.01 per Mcf. Compression was not considered as a capital expenditure, however a continuous gathering and processing charge of \$0.05 per Mcf was considered reasonable to offset future compressor leasing charges.

All interests and other factual data used in the preparation of this report have been accepted as represented by Houston Oils Limited.

The opportunity to be of service is appreciated and should you have any questions with regard to this report, please do not hesitate to call.

Yours very truly,

JAMES A. LEWIS ENGINEERING CO. LTD.



V. O. C. Wilson, P. Eng.

VOCW/vf


JAMES A. LEWIS ENGINEERING CO. LTD.

CERTIFICATE OF QUALIFICATION

This is to certify that James A. Lewis Engineering Co. Ltd., with offices located at 736 Eighth Avenue S.W., Calgary, Alberta, Canada, did prepare an appraisal report on the oil and natural gas reserves in the Springburn Area of Alberta, as of May 1, 1973.

- (1) James A. Lewis Engineering Co. Ltd. is a corporation of consulting petroleum engineers, engaged primarily in the appraisal and supervision of petroleum and natural gas properties.
- (2) V. O. C. Wilson, Professional Engineer, was the person responsible for the preparation of this report. Mr. Wilson is an engineering graduate with a Bachelor of Science degree from the University of Oklahoma, Norman, Oklahoma. Mr. Wilson has in excess of 14 years experience in petroleum engineering and petroleum evaluation in Canada and abroad. He is a registered member of the Association of Professional Engineers in the Province of Alberta and is a member of the Petroleum Society of CIM and the Canadian Well Logging Society.
- (3) James A. Lewis Engineering Co. Ltd. has no interest, directly or indirectly, nor does it expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Houston Oils Limited.
- (4) The property studied in this report is located in the Province of Alberta, Canada.

JAMES A. LEWIS ENGINEERING CO. LTD.


Bela Balaz, P. Eng.
President

Calgary, Alberta
May 14, 1973

CERTIFICATE OF QUALIFICATION (Continued)

I, V. O. C. Wilson, hereby certify that I have no interest directly, or indirectly, nor do I expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Houston Oils Limited.

Calgary, Alberta
May 14, 1973

V. O. C. Wilson, P. Eng.

JAMES A. LEWIS ENGINEERING CO. LTD.

Petroleum Reservoir Analysts

736 EIGHTH AVENUE S.W.
CALGARY, ALBERTA T2P 1H4

May 21, 1973

File: 1078

Houston Oils Limited
950 - Three Calgary Place
355 Fourth Avenue S.W.
Calgary, Alberta

SUBJECT: Appraisal Summary Hydrocarbons and Lands - D. W. Lufkin

Gentlemen:

In accordance with your authorization, we have appraised the hydrocarbon reserves and estimated the market value of prospective land holdings owned by D. W. Lufkin (hereinafter referred to as "the Company" or "Lufkin"). The effective date of this report is May 1, 1973. A tabulation of net proved reserves and economics is presented in Tables 1 through 5 and summarized as follows:

| | NET | RESERVES |
|----------|-----------------------------|---------------------|
| | Natural Gas, Mscf (1) | Oil, Barrels (2) |
| Proved | 1,903,701 | 40,608 |
| Probable | <u>17,013</u> | <u>13,474</u> |
| TOTAL | 1,920,714 | 54,082 |

| | NET | CASH | FLOW | (3) |
|-------------|---------------|------|----------------------------|-----|
| | Undiscounted | | Discounted @ 8% / Annum | |
| Proved | \$553,933 | | \$306,458 | |
| Probable | <u>19,532</u> | | <u>6,710</u> | |
| TOTAL | \$573,465 | | \$313,168 | |
| LAND VALUE | <u>74,440</u> | | <u>74,440</u> | |
| GRAND TOTAL | \$647,905 | | \$387,608 | |

NOTES: (1) Sales gas volumes measured at 14.65 Psia and 60° F
(2) Stock tank barrels
(3) Canadian dollars

Net reserves as used herein mean those reserves owned by the Company after deduction of all outside working interests. The net cash flow forecasts are after deduction of royalties, operating expenses and future capital expenditures, but before deduction of income taxes. Advance payments accruing to the Company and their repayment out of the gross revenue from production have been included in the cash flow forecasts where applicable.

A summary of gross and net gas reserves for each of the areas is presented in Table 2. The gross and net oil reserves for each area reviewed are summarized in Table 3. The reservoir rock and fluid properties and recovery estimates utilized in the reserves appraisal are tabulated in Tables 48 through 65. Summaries of economic parameters as applied to individual analyses are presented in Tables 28 through 47. Cash flow forecasts for the individual areas are presented in Tables 8 through 27. In this report economic analyses of future proved gas production are based on proved natural gas reserves and gas prices associated with contract offers which are not dependant upon export authorizations required for transport out of Canada.

A detailed listing of the prospective land holdings owned by the Company and the associated value assigned for each acreage block is presented in Tables 66 through 68. Values assigned the various individual acreage blocks are based on known local and regional geological features, geophysical surveys, exploration activities and recent land auction prices effected in the respective areas. Other pertinent factors such as proximity to known discoveries, accessibility and transportation and marketing conditions are also taken into account. In relatively unexplored areas geological assessment of individual properties is most difficult and the market value of such land holdings is of necessity largely determined by the limited number of known transactions and work commitments.

In the early stages of exploration of large sedimentary basins, values usually experience significant changes due to the increase in available geological and economic information. For this reason the aggregate land value presented in this report must be regarded as valid on a current basis only.

A brief review of the various areas assigned reserves is presented in the discussion portion of this report. The reserves appraised and economic analyses for each of the areas of interest is included.

All interests and other factual data used in the preparation of this report have been accepted as represented by Houston Oils Limited.

It has been a pleasure to prepare this report and the opportunity to be of service is appreciated. Should you wish to discuss this report in detail, we would be pleased to do so at your convenience.

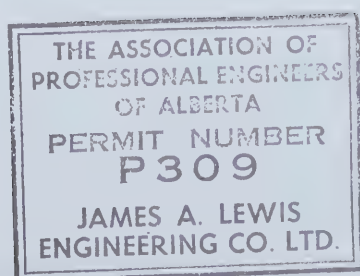
Yours very truly,

JAMES A. LEWIS ENGINEERING CO. LTD.



V. O. C. Wilson, P. Eng.

VOCW/vf



CERTIFICATE OF QUALIFICATION

This is to certify that James A. Lewis Engineering Co. Ltd., with offices located at 736 Eighth Avenue S. W., Calgary, Alberta, Canada, did prepare an appraisal report on the oil and natural gas reserves and prospective land holdings owned by D. W. Lufkin, as of May 1, 1973.

- (1) James A. Lewis Engineering Co. Ltd. is a corporation of consulting petroleum engineers, engaged primarily in the appraisal and supervision of petroleum and natural gas properties.
- (2) V. O. C. Wilson, Professional Engineer, was the person directly responsible for the preparation of this report. Mr. Wilson is an engineering graduate with a Bachelor of Science degree from the University of Oklahoma, Norman, Oklahoma. Mr. Wilson has in excess of fourteen years experience in petroleum engineering and petroleum evaluation in Canada and abroad. He is a registered member of the Association of Professional Engineers in the Province of Alberta and is a member of the Petroleum Society of CIM and the Canadian Well Logging Society.
- (3) James A. Lewis Engineering Co. Ltd. has no interest, directly or indirectly, nor does it expect to receive any interest, directly or indirectly, in any of the properties or securities owned by D. W. Lufkin.
- (4) The properties studied in this report are located in Canada and the United States.

JAMES A. LEWIS ENGINEERING CO. LTD.



Bela Balaz, P. Eng.
President

Calgary, Alberta
May 21, 1973

CERTIFICATE OF QUALIFICATION (Continued)

I, V. O. C. Wilson, hereby certify that I have no interest directly, or indirectly, nor do I expect to receive any interest, directly or indirectly, in any of the properties or securities owned by D. W. Lufkin.



V. O. C. Wilson, P. Eng.

Calgary, Alberta
May 21, 1973

JAMES A. LEWIS ENGINEERING CO. LTD.

Petroleum Reservoir Analysts

736 EIGHTH AVENUE S.W.
CALGARY, ALBERTA T2P 1H4

May 21, 1973

File: 1077

Houston Oils Limited
950 - Three Calgary Place
355 Fourth Avenue S.W.
Calgary, Alberta

SUBJECT: Appraisal Summary Hydrocarbons and Lands - Louis Marx, Jr.

Gentlemen:

In accordance with your authorization, we have appraised the hydrocarbon reserves and estimated the market value of prospective land holdings owned by Louis Marx, Jr. (hereinafter referred to as "the Company" or "Marx"). The effective date of this report is May 1, 1973. A tabulation of net proved reserves and economics is presented in Tables 1 through 5 and summarized as follows:

| | NET | RESERVES |
|----------|-----------------------------|---------------------|
| | Natural Gas, Mscf (1) | Oil, Barrels (2) |
| Proved | 2,119,922 | 169,509 |
| Probable | 17,013 | 13,474 |
| TOTAL | 2,136,935 | 182,938 |

| | NET | CASH | FLOW | (3) |
|-------------|--------------|------|--------------------------|-----|
| | Undiscounted | | Discounted @ 8%/Annum | |
| Proved | \$ 998,856 | | \$591,334 | |
| Probable | 19,532 | | 6,710 | |
| TOTAL | \$1,018,388 | | \$598,044 | |
| LAND VALUE | 107,640 | | 107,640 | |
| GRAND TOTAL | \$1,126,028 | | \$705,684 | |

NOTES: (1) Sales gas volumes measured at 14.65 Psia and 60° F
(2) Stock tank barrels
(3) Canadian dollars

Net reserves as used herein mean those reserves owned by the Company after deduction of all outside working interests. The net cash flow forecasts are after deduction of royalties, operating expenses and future capital expenditures, but before deduction of income taxes. Advance payments accruing to the Company and their repayment out of the gross revenue from production have been included in the cash flow forecasts where applicable.

A summary of gross and net gas reserves for each of the areas is presented in Table 2. The gross and net oil reserves for each area reviewed are summarized in Table 3. The reservoir rock and fluid properties and recovery estimates utilized in the reserves appraisal are tabulated in Tables 52 through 71. Summaries of economic parameters as applied to individual analyses are presented in Tables 30 through 51. Cash flow forecasts for the individual areas are presented in Tables 8 through 29. In this report economic analyses of future proved gas production are based on proved natural gas reserves and gas prices associated with contract offers which are not dependant upon export authorizations required for transport out of Canada.

A detailed listing of the prospective land holdings owned by the Company and the associated value assigned for each acreage block is presented in Tables 72 through 74. Values assigned the various individual acreage blocks are based on known local and regional geological features, geophysical surveys, exploration activities and recent land auction prices effected in the respective areas. Other pertinent factors such as proximity to known discoveries, accessibility and transportation and marketing conditions are also taken into account. In relatively unexplored areas geological assessment of individual properties is most difficult and the market value of such land holdings is of necessity largely determined by the limited number of known transactions and work commitments.

In the early stages of exploration of large sedimentary basins, values usually experience significant changes due to the increase in available geological and economic information. For this reason the aggregate land value presented in this report must be regarded as valid on a current basis only.

A brief review of the various areas assigned reserves is presented in the discussion portion of this report. The reserves appraisal and economic analyses for each of the areas of interest is included.

All interests and other factual data used in the preparation of this report have been accepted as represented by Houston Oils Limited.

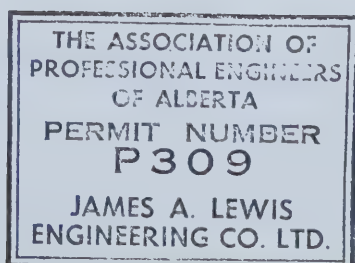
It has been a pleasure to prepare this report and the opportunity to be of service is appreciated. Should you wish to discuss this report in detail, we would be pleased to do so at your convenience.

Yours very truly,

JAMES A. LEWIS ENGINEERING CO. LTD.


V. O. C. Wilson, P. Eng.

VOCW/vf



CERTIFICATE OF QUALIFICATION

This is to certify that James A. Lewis Engineering Co. Ltd., with offices located at 736 Eighth Avenue S.W., Calgary, Alberta, Canada, did prepare an appraisal report on the oil and natural gas reserves and prospective land holdings owned by Louis Marx, Jr., as of May 1, 1973.

- (1) James A. Lewis Engineering Co. Ltd. is a corporation of consulting petroleum engineers, engaged primarily in the appraisal and supervision of petroleum and natural gas properties.
- (2) V. O. C. Wilson, Professional Engineer, was the person directly responsible for the preparation of this report. Mr. Wilson is an engineering graduate with a Bachelor of Science degree from the University of Oklahoma, Norman, Oklahoma. Mr. Wilson has in excess of fourteen years experience in petroleum engineering and petroleum evaluation in Canada and abroad. He is a registered member of the Association of Professional Engineers in the Province of Alberta and is a member of the Petroleum Society of CIM and the Canadian Well Logging Society.
- (3) James A. Lewis Engineering Co. Ltd. has no interest, directly or indirectly, nor does it expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Louis Marx, Jr.
- (4) The properties studied in this report are located in Canada and the United States.

JAMES A. LEWIS ENGINEERING CO. LTD.

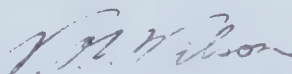


Bela Balaz, P. Eng.
President

Calgary, Alberta
May 21, 1973

CERTIFICATE OF QUALIFICATION (Continued)

I, V. O. C. Wilson, hereby certify that I have no interest directly, or indirectly, nor do I expect to receive any interest, directly or indirectly, in any of the properties or securities owned by Louis Marx, Jr.



V. O. C. Wilson, P. Eng.

Calgary, Alberta
May 21, 1973

11. Names and addresses of vendors of any property or other assets intended to be purchased by the company showing the consideration to be paid.

The Company has acquired the oil and gas properties described in summaries forming part of this Filing Statement prepared by James A. Lewis Engineering Co. Ltd; the consideration paid to the vendors, described below, was arrived at (based on a value of \$3.00 per share) as a result of such evaluations and summaries. Separate Agreements made effective June 1, 1973 covering the transfer of such properties have been entered into between the Company and its wholly-owned subsidiary, Bridger Petroleum Corporation, with Dan W. Lufkin and Louis Marx, Jr. and between the Company and Bradley C. Drowne.

| Vendor | Consideration Received |
|---|------------------------|
| Bradley C. Drowne 135 Butler Parkway Summit, New Jersey 07901 U.S.A. | 374,689 shares |
| Dan W. Lufkin & C.F. O'Neil Jr. 645 Madison Avenue New York, N.Y. 10027, U.S.A. | 117,917 shares |
| Louis Marx, Jr. 645 Madison Avenue New York, N.Y., 10022, U.S.A. | 215,432 shares |

12. Names and addresses of persons who have received or will receive a greater than 5% interest in the shares or other consideration to be received by the vendor. If the vendor is a limited company, the names and addresses of persons having a greater than 5% interest in the vendor company.

None.

13. Number of shares held in escrow or in pool and a brief statement of the terms of escrow or the pooling agreement.

None

14. Names and addresses of owners of more than a 5% interest in escrowed shares and their shareholdings (If shares are registered in the names of nominees or in street names, give names of beneficial owners, if possible.)

None, other than as described above.

15. Names, addresses and shareholdings of five largest registered shareholders and if shareholdings are pooled or escrowed, so stating. If shares are registered in names of nominees or in street names, give names of beneficial owners, if possible, and if names are not those of beneficial owners, so state.

After giving effect to the proposed trade with Bradley C. Drowne, Dan W. Lufkin and Louis Marx, Jr.

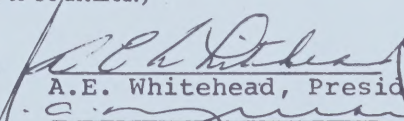
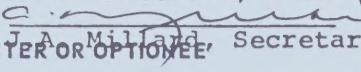
| Name | Address | Shareholdings |
|---------------------------|--|---------------|
| Neperan Resources Company | 1 Battery Park Plaza, New York, N.Y. 10004 U.S.A. | 2,500,000 |
| Bradley C. Drowne | 135 Butler Parkway Summit, New Jersey U.S.A. | 374,689 |
| Albert E. Whitehead | 1608 - 96th Avenue S.W. Calgary, Alberta, Canada. | 313,800 |
| Louis Marx, Jr. | c/o Pan Ocean Oil Corporation, 645 Madison Avenue New York, N.Y. 10022 U.S.A. | 348,482 |
| Dan W. Lufkin | c/o Cyril F. O'Neil, Jr. Beer, Richards, Haller & O'Neil 645 Madison Avenue New York, N.Y. 10022 U.S.A. | 261,167 |

| | |
|---|---|
| 16. Name, and addresses of persons whose shareholdings are large enough to materially affect control of the company. | Neperan Resources Company, a New York partnership. 1 Battery Park Plaza New York, N.Y. 10004 U.S.A. PRINCIPALS: Neil A. McConnell, Louis Marx, Jr. and Montague H. Hackett, Jr. all of New York, N.Y., U.S.A. |
| 17. If assets include investments in the shares or other securities of other companies, give an itemized statement thereof showing cost or book value and present market value. | See Schedule "E" on page 7. |
| 18. Brief statement of any lawsuits pending or in process against company or its properties. | Nil |
| 19. The dates of and parties to and the general nature of every material contract entered into by the company which is still in effect and is not disclosed in the foregoing. | Nil |
| 20. Statement of any other material facts and if none, so state. Also state whether any shares of the company are in the course of primary distribution to the public. | No other material facts not disclosed. None of the shares of Company are in the course of primary distribution to the public. |

CERTIFICATE OF THE COMPANY

DATED JUNE 29, 1913

The foregoing, together with the financial information and other reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above and in respect of the company's affairs and there is no further material information applicable. (To be signed by two principal signing officers who are directors and the corporate seal to be affixed.)

 CORPORATE
SEAL
A.E. Whitehead, President & Director
 J.A. Millard, Secretary & Director

CERTIFICATE OF UNDERWRITER OR OPTIONEE

To the best of my knowledge, information and belief, the foregoing, together with the financial information and the reports where required, constitutes full, true and plain disclosure of all material facts in respect of the matters referred to in Item 1 above in respect of the company's affairs. Concerning matters which are not within my knowledge, I have relied upon the accuracy and adequacy of the information supplied to me by the company. (To be signed by underwriter or optionee registered with the Ontario Securities Commission or a corresponding body.)
